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6
7 UNITED STATES BANKRUPTCY COURT
8
9 EASTERN DISTRICT OF CALIFORNIA - FRESNO DIVISION

10 In re:

11 ST JAMES AND ENNIS HANFORD
INVESTMENT, LLC,
12 a LIMITED LIABILITY COMPANY,

13 Debtor in possession.

Case No. 09-17500-A-11

Chapter 11

D.C. No. PLF-3

Date: September 30, 2009

Time: 1:30 p.m.

Place: Dept. A, Ctrm. 11, 5th Floor

United States Courthouse

2500 Tulare St., Fresno, California

Judge: Hon. Whitney Rimel

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18 **DECLARATION OF JAMES L. CLARK, JR. IN SUPPORT OF MOTION FOR
AUTHORITY TO USE CASH COLLATERAL**

19 I, JAMES L. CLARK, JR., declare as follows:

20 1. I am the secretary of Debtor and an authorized agent to deal with the bankruptcy
21 filing of Debtor, as well as a member representative of Debtor. I have been personally involved
22 in the affairs of Debtor and make the statements herein based on personal knowledge, unless
23 otherwise stated.

1 2. Debtor owns approximately 300 acres of farmland just outside the city limits of
2 Hanford, California (the "Property").

3 3. Citizens Business Bank ("Secured Creditor") holds a first deed of trust on the
4 Property and is owed approximately \$20 million.

5 4. Debtor was in the process of developing the Property, but due to several factors
6 work on development had slowed and Secured Creditor had commenced foreclosure
7 proceedings.

8 5. Debtor filed this bankruptcy case so that Debtor can finish the entitlement
9 process and sell off pods or phases of the Property to pay off the loan of Secured Creditor or to
10 at least pay it down enough that Debtor would be able to refinance the remaining parcels.

11 6. Before the filing of this bankruptcy case, Debtor had taken several steps toward
12 getting the Property entitled, as described in detail in the declaration of John Zumwalt.
13 However, there are several more steps that need to be taken and if those are not taken very
14 soon, the approvals already obtained will expire.

15 7. Mr. Zumwalt has estimated that it will cost approximately \$160,000 for the
16 engineering, city fees and attorney fees to complete the entitlement process and record a
17 tentative map.

18 8. Debtor has approximately \$110,000 in its DIP bank account. Most of these
19 funds have come from farming operation on the Property. In addition, Debtor has a bank-
20 controlled account at Citizens Business Bank with a balance of approximately \$280,000. This
21 account was originally set up to fund interest payments to Secured Creditor. Debtor intends to
22 use \$110,000 from the DIP bank account and \$50,000 from the bank account at Citizens
23 Business Bank to pay the \$160,000 necessary to get the Property entitled. Debtor believes that
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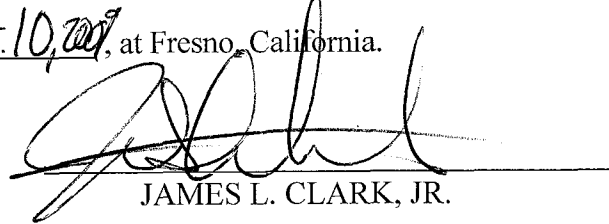
1 the amount in the Citizens Business Bank account combined with next year's income from
2 leasing the Property will be sufficient to pay the property taxes required to sell off the phases
3 of the Property.

4 9. Included herewith as Exhibit "A" is a true and correct copy of an appraisal
5 commissioned by Secured Creditor with regard to the Property and provided to Debtor by
6 Secured Creditor. While I believe that the values stated herein are low, they show that after
7 annexation, zoning and the tentative map have been completed, the value of the Property
8 would increase by \$4,350,000. Consequently, I believe it is in the best interest of all parties
9 concerned to use the cash collateral to complete the tentative map process. Even if Debtor was
10 unable to sell off phases of the project, the completion of the tentative map process would
11 increase the Property value substantially more than the \$160,000 required to complete the
12 tentative map process.

13 10. Based on my involvement in the construction and development industries, I am
14 informed and believe that John Zumwalt and his firm, Zumwalt – Hansen & Associates, have
15 an excellent reputation. In fact, due to that excellent reputation, I am informed and believe that
16 little development work is done in Hanford that Mr. Zumwalt is not involved in. Consequently,
17 I believe that Mr. Zumwalt and his firm are essential to get the Property entitled in a timely
18 fashion.

19 11. In addition, I am informed and believe that if we were forced to hire another
20 engineering firm (assuming we could find another firm willing to work on this project), that
21 firm would not be able to make use of any of the work already completed by Mr. Zumwalt and
22 the cost, therefore, would likely be significantly greater than what it would cost to have Mr.
23 Zumwalt finish the project.

1 I declare under penalty of perjury that the foregoing statements are true and correct and
2 that if called as a witness herein I could and would competently testify thereto, and that this
3 declaration was executed on SEP. 10, 2007, at Fresno, California.

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5 JAMES L. CLARK, JR.